

MINUTES OF MEETING NO. 353  
BOARD OF TRUSTEES  
KENTUCKY RETIREMENT SYSTEMS  
October 22 and October 23, 2009 at 8:30 A.M.  
Embassy Suites at RiverCenter  
10 East RiverCenter Boulevard  
Covington, KY 41011

Item 1

At the Special Called Meeting of the Board of Trustees held on October 22, 2009 the following members answered to their name: Randy J. Overstreet, Chair, Jennifer L. Elliott, Bobby D. Henson, Vince Lang, W. Lewis Reynolds III, Robert W. Wilcher and Tim Longmeyer, Personnel Cabinet, proxy for Nikki R. Jackson.

In addition, staff members present were Robert M. Burnside, Executive Director, William A. Thielen, Charlene Haydon, Adam C. Tosh, Schuyler J. Olt, Connie A. Davis and Tracey M. Mulder, Recording Secretary.

Also present were Frank Willey, Legislative Research Commission; Tom Cavanaugh, Cavanaugh Macdonald Consulting, LLC; and Tony Johnson, R.V. Kuhns & Associates, Inc. (RVK).

Mr. Overstreet advised that Mr. Longmeyer was sitting in for Ms. Jackson. An Attorney General's ruling from Scott White, Assistant Deputy Attorney General, advises that KRS 18A.035(1) provides that the Secretary "...may from time to time designate in writing an employee of the cabinet to act for him in case of his absence or inability from any cause to discharge the powers and duties of his position. In this case, the powers and duties of the secretary shall devolve upon his designee."

Item 2

Mr. Cavanaugh presented "*Actuarial 101 With a Twist*" to discuss the following matters:

- Pension Plan Policies (Benefit Policy, Investment Policy, Funding Policy)
- Cash Flow Characteristics and Need for Actuarial Valuations
- Selecting Assumptions About Future Events
- Fundamentals of Actuarial Valuations & Plan Sponsor Liabilities
- Asset Valuation Methods for Public Retirement Systems

This presentation was provided for informational purposes.

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Robert D. Klausner, Klausner & Kaufman Attorneys at Law entered  
the meeting during the presentation.

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Item 3

Mr. Klausner presented the memorandum “EEOC v. Kentucky Retirement Systems – One Year Later” to provide an overview of the U.S. Supreme Court case and its impact on the interpretation of the Age Discrimination in Employment Act (ADEA).

This memorandum was presented for informational purposes.

Item 4

Ms. Haydon presented “*Workforce Impact Discussions 2009*” to discuss impact of the START project on the work processes of KRS and the proposed changes to the organizational structure.

This presentation was provided for informational purposes.

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The meeting was suspended for lunch.

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Mr. Cavanaugh and Mr. Klausner departed. Robert Palmeri, R.V. Kuhns & Associates, Inc., entered at the conclusion of the lunch break.

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Item 5

Mr. Johnson and Mr. Palmeri presented “*Asset Liability Study – Preliminary Discussion*” to review and discuss the following matters:

- Asset Liability Study - Objectives
- Deterministic Forecasting and Stochastic Forecasting
- Rationale for Conducting an Asset Liability Study
- National Statistics on Funding Ratios
- RVK Approach to Asset Allocation Studies
- RVK Capital Market Assumptions
- KRS Plan Structure – Current Target Asset Allocation for Combined Plans
- KRS Current Expected Returns – Combined Plans
- Estimated Timeline

This presentation was provided for informational purposes.

Item 6

It was moved by Mr. Lang, seconded by Mr. Wilcher and carried by the Board to enter into “Closed Session” for the purpose of discussing litigation pursuant to KRS 61.810(1)(c) because

of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege.

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Mr. Johnson, Mr. Palmari and Mr. Willey departed.

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Mr. Olt presented the memorandum "Analysis of Potential Litigation Addressing Holly Hill" during closed session.

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Mr. Overstreet declared the meeting re-open to the public and returned to "Open Session" after discussion of litigation in "Closed Session" under the provisions of KRS 61.810(1)(c), with no action being taken in "Closed Session."

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It was moved by Mr. Wilcher, seconded by Mr. Lang and carried by the Board of Trustees to authorize management and the General Counsel to release all documents related to the Holly Hill Church transaction that had previously been considered attorney-client privilege.

#### Item 7

Mr. Olt presented "*Pay to Play*" to discuss the following matters:

- An Overview of Pay to Play Issues in Public Pension Plans
- Pay to Play in the Investment Arena
  - Placement Agents
  - What is the Problem?
  - How big is the Problem?
  - Solutions
    - SEC Proposed Rule 17 CFR Part 275
    - State Ethics Laws – KRS 11A.001 et seq.
    - Anti-Bribery Statutes
    - Civil Actions
    - Board Policies and Procedures
  - Future Vision

This presentation was provided for informational purposes.

#### Item 8

Mr. Thielen presented the memorandum "Proposed KRS Administrative Budget Request for Fiscal Years (FY) 2010-2011 and 2011-2012."

It was moved by Mr. Reynolds, seconded by Ms. Elliott and carried by the Board of Trustees to adopt the recommendation of the Legislative and Budget Committee and approve the proposed Administrative Budget for fiscal years 2010-2011 and 2011-2012 as presented.

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The meeting was suspended at 4:08 p.m. until 8:30 a.m., October 23, 2009.

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The meeting reconvened at 8:30 a.m., October 23, 2009. The following Board members were present: Randy J. Overstreet, Chair, Jennifer L. Elliott, Bobby D. Henson, Vince Lang, W. Lewis Reynolds III, Robert W. Wilcher and Tim Longmeyer, proxy for Nikki R. Jackson.

In addition, staff members present were Robert M. Burnside, William A. Thielen, Charlene Haydon, Adam C. Tosh, Schuyler J. Olt, Connie A. Davis and Tracey M. Mulder, Recording Secretary. Also present were Mary Beth Braitman, Ice Miller, LLP; and Frank Willey, Legislative Research Commission.

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#### Item 9

It was moved by Mr. Reynolds, seconded by Ms. Elliott and carried by the Board of Trustees to approve the minutes of meeting numbers 351 and 352 as presented.

#### Item 10

Ms. Braitman presented "*Board Governance Best Practices*" to review and discuss the following matters:

- Introduction to Governance
- Transparency/Clarity of Governance Structure and Fund Rules
- Fund Leadership
- Trustee Core Competencies
- Conflicts of Interest and Related Disclosure Policy
- Items to Consider Developing in 2010

This presentation was provided for informational purposes.

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Ms. Braitman departed following the presentation.  
Rick Schultz, Shawn Sparks and Chris Clark, KRS, entered the meeting.

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#### Item 11

Mr. Burnside led a discussion regarding the level of staff support and communication with the Board. The purpose of this discussion was to ensure that staff is providing the Trustees the information they need to effectively govern the Board.

This discussion was for informational purposes.

#### Item 12

Mr. Schultz presented "*Healthcare Benefits for KRS Retirees*" to review and discuss the following matters:

- Overall Health Care Benefits
- Retiree Health Care Changes
- Current Pharmacy Benefits
- Benefit Changes from the Employer Group Waiver Plan
- KEHP Changes for 2010
- Federal Initiatives
- Case Management Update
- KRS Wellness Update
- Health Risk Assessment (HRA)

This presentation was provided for informational purposes.

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The meeting was suspended for lunch.

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Mr. Schultz and Mr. Willey departed.

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#### Item 13

Mr. Sparks presented "*Strategic Planning Overview/Update*" to review and discuss the following matters:

- Overview of the Strategic Planning Process
- Key Elements of a Strategic Plan
- KRS Four Main Agency Goals
- Current Status of KRS Strategic Planning Initiative
- Suggested Plan of Action

This presentation was provided for informational purposes.

#### Item 14

Mr. Sparks presented “*Business Continuity Plan Overview/Update*” to review and discuss the following matters:

- Overview of Business Continuity Planning
- Current Status of Business Continuity Planning Project
- Suggested Plan of Action

This presentation was provided for informational purposes.

#### Item 15

Mr. Clark presented “*Disaster Recovery*” to review and discuss the following matters:

- START Update
- Overview of a Disaster Recovery Plan
- DRP Control Measures
- Planning for Disaster
- Preventative/Detective Controls
- Corrective Controls
- Corrective Recovery Options/Choosing a Corrective Option
- Assistive Technologies
- Disaster Recovery Roadmap

This presentation was provided for informational purposes.

#### Item 16

Ms. Davis presented “*The Audit Committee: Purpose, Process, Professionalism*” to review and discuss the following matters:

- Corporate Governance
- Fiduciary Duties
- The Audit Committee’s Role in Governance
- Best Practices in Code-of-Conduct Oversight
- Communications Checklist
- Clarifying the Value of Internal Auditing
- KRS Internal Audit Staff
- KRS Internal Audit Projects

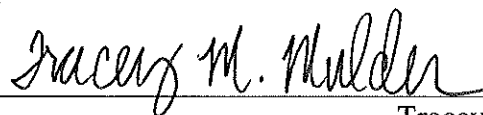
This presentation was provided for informational purposes.

#### Item 17

There being no further business, the meeting was adjourned at 2:40 p.m., to meet on November 19, 2009, or upon the call of the Chair, Executive Director, or at the request of five members of the Board.

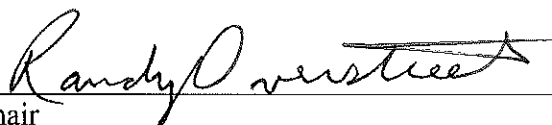
### CERTIFICATION

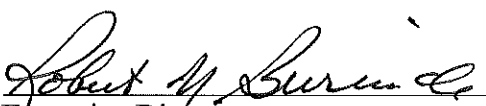
I, Tracey M. Mulder, do certify that I was present at this meeting and that I have recorded above the action of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805 through 61.850 were met in connection with this meeting. Finally, I certify that the Minutes and supporting materials have been forwarded to each member of the Board and have been included in the permanent records of the Board.



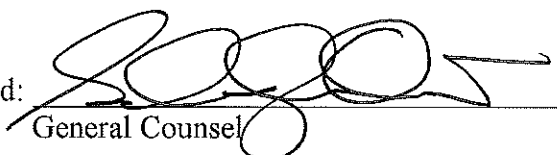
Tracey M. Mulder  
Recording Secretary

We, the Chair and the Executive Director of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting No. 353 were approved by the Board on November 19, 2009.

Signed:   
Chair

Signed:   
Executive Director

I, Schuyler J. Olt, have reviewed the Minutes of Meeting No. 353 for form, content and legality.

Signed:   
General Counsel